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Chairman: Mr. Ali ..... (Malaysia)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Ms. McLurg

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The meeting was called to order at 10.10 a.m.

Agenda item 130: Improving the financial situation of the United Nations (*continued*) (A/62/539/Add.1)

1. **The Chairman**, recalling that the Controller had briefed the Committee on the current financial situation at its 39th meeting, held on 9 May 2008, said that his statement had been issued as a report of the Secretary-General under the symbol A/62/539/Add.1.

2. **Mr. Sach** (Controller) said that, since 7 May 2008, in addition to the 25 Member States listed in the report, Antigua and Barbuda, Benin, Colombia, Denmark, Ireland and Israel had paid their due and payable assessments in full. Also since that date, Bosnia and Herzegovina had paid in full its assessed contributions to the capital master plan and the international criminal tribunals; the Democratic People's Republic of Korea and Ghana had paid in full their assessed contributions to the capital master plan; Georgia had paid in full its assessed contributions to peacekeeping operations; Jamaica and Yemen had paid in full their assessed contributions to the regular budget and Nepal had paid in full its assessed contributions to the regular budget and the capital master plan.

3. **Mr. Thomas** (Antigua and Barbuda), speaking on behalf of the Group of 77 and China, emphasized that the payment of assessed contributions in full, on time and without conditions was an obligation under the Charter of the United Nations and a prerequisite for the predictability of financial resources and the implementation of all legislative mandates.

4. The Group regretted the weak financial situation of the Organization. Once again, there had been no major improvement in the payment of assessed contributions and, owing to a large outstanding payment from one Member State, the Organization continued to borrow from reserve accounts and the accounts of closed peacekeeping missions. That systemic problem must be permanently resolved.

5. While the Group understood that procedural difficulties could briefly delay the payment of peacekeeping assessments, Member States must take seriously the negative implications of persistent non-payment. The Group opposed cross-borrowing from the accounts of closed peacekeeping operations; cash surpluses should be used to meet outstanding liabilities, such as payment of the $597 million in arrears for troops and contingent-owned equipment, or returned to individual Member States. Most troop-contributing countries were developing States and could not maintain their troops or equipment on their own indefinitely. The Group therefore hoped that all major contributors would pay their assessments in full, on time and without conditions.

6. The Group welcomed the improvement in the financial situation of the international criminal tribunals and was pleased that 181 countries had paid their assessed contributions to the capital master plan. It urged the Secretary-General to ensure full and effective implementation of past and future resolutions on the capital master plan. Lastly, it hoped that Member States with unpaid assessments would settle their accounts as soon as possible, particularly if their capacity to pay was not in question.

7. **Ms. Bizilj** (Slovenia), speaking on behalf of the European Union, the candidate countries Croatia, the former Yugoslav Republic of Macedonia and Turkey; the stabilization and association process countries Albania, Bosnia and Herzegovina, Montenegro and Serbia; and, in addition, Armenia and Ukraine, said that the Controller's briefing had clearly shown the willingness of Member States to fulfil their responsibility for the Organization's financial well-being. All Member States should pay their assessed contributions in full, on time and without conditions.

8. There was cause for concern despite some signs of improvement in the Organization's financial situation. The position of the regular budget was no better than in 2006: 52 Member States owed a total of $428 million, 95 per cent of which was owed by two of them. Although unpaid assessments for peacekeeping operations had decreased substantially, from 54.8 per cent in 2006 to 39.2 per cent in 2007, approximately $2.3 billion remained outstanding. All Member States must pay their assessed contributions to enable the effective implementation of peacekeeping operations and the timely reimbursement of troop-contributing countries. Any funds in the accounts of closed peacekeeping operations should be returned to Member States without delay.

9. The financial situation of the international criminal tribunals was improving. The European Union was pleased that, to date, 67 Member States had made payments amounting to $198 million. The Fifth Committee had put considerable time and effort into

reaching a decision on the capital master plan. Member States were urged to pay their assessments for the plan in full and on time to ensure the prompt implementation of that important project. The European Union requested all Member States to take their obligations to the Organization seriously. At the same time, it expected the Secretariat to use the resources efficiently and transparently.

10. **Mr. Ruiz Massieu** (Mexico), speaking on behalf of the Rio Group, said that the financial health of the United Nations was crucial to the fulfilment of its mandates. The Organization's financial situation had improved slightly in 2007, mainly because a larger number of States had paid their contributions to the regular budget, the international criminal tribunals and the peacekeeping operations.

11. The Group noted that peacekeeping operations had increased in number, size and cost and that such operations were sometimes unpredictable. It was nevertheless concerned that unpaid assessed contributions had almost doubled compared to 2006. Several Latin American countries continued to experience delays in reimbursements for troops and contingent-owned equipment. All States were urged to fulfil their commitments in a timely manner, to enable the Organization to effectively carry out its core peacekeeping functions.

12. It was encouraging that 90 countries had paid their assessed contributions to the capital master plan to date; Member States should continue to support the project, so that it could be implemented within the established time frame. The Group acknowledged the countries, including a number in Latin America, that had paid all their assessments in full. In some cases, domestic budget problems and urgent social needs, including poverty alleviation and humanitarian emergencies, had led to delayed payment. In other cases, States had made considerable sacrifices in order to make payments on time. It recalled the obligation of all Member States to bear the expenses of the Organization as apportioned by the General Assembly, in accordance with the Charter of the United Nations.

13. **Mr. Taula** (New Zealand), speaking also on behalf of Australia and Canada, said that it was unacceptable that a number of Member States regularly failed to meet their obligation to pay their assessed contributions in full, on time and without conditions. With the regular and peacekeeping budgets at record levels, the Organization must seek ways to eliminate waste and duplication, redeploy resources and streamline its administration.

14. While it was understandably difficult for Governments to fulfil all their financial obligations, it was essential to break the cycle of underpayment and non-payment of assessments. Failure to do so would undermine the implementation of mandates and penalize both the States that had paid in full and on time and the troop-contributing countries that were awaiting reimbursement.

15. **Mr. Hoe** Yeen Teck (Singapore) said that, while arrears to the regular budget had decreased slightly, the amount owed to the peacekeeping budget had ballooned from $1.9 billion at the end of 2006 to $2.7 billion at the end of 2007. Unpaid assessments to the international criminal tribunals and the capital master plan had also increased considerably. His delegation had repeatedly stressed that the Organization's financial difficulties were avoidable. While some countries faced genuine difficulties in paying their assessments, the real issue was the late payment and non-payment by major contributors. That had led the Secretariat to search for "innovative" solutions, such as the consolidation of peacekeeping accounts and the withholding of funds owed to Member States from closed peacekeeping operations. The solution was simple: Member States should comply with their obligations under the Charter and pay their assessed contributions in full, on time and without conditions.

16. Member States had every right to demand that the Secretariat use resources efficiently and effectively. However, the practice of withholding contributions in the name of addressing efficiencies was not a suitable solution. Member States must ask themselves whether it was advisable to have a United Nations that was effective or one which was hobbled by self-inflicted financial weakness.

17. **Mr. Kim** Bong-hyun (Republic of Korea) welcomed the improvement in the financial situation of the Organization in 2008. Indeed, the number of Member States that had paid their assessments to the regular budget in full had been higher, and unpaid assessed contributions lower, than at the same time the previous year, while the amount outstanding for peacekeeping operations had been less than at the end of 2007.

18. If the Organization's financial capability were to be strengthened successfully, Member States and the Secretariat must work together. The budget process should be used to build trust among Member States and between Member States and the Secretariat. Particular attention should be paid to the issue of mutual accountability, especially in the light of the rapidly increasing budget. There were no recent instances of delayed payment by a Member State severely impairing the functioning of the United Nations; yet Member States were asked to provide resources in a more timely manner. The Secretariat needed to understand that Member States must consider the needs of their domestic audience, which expected budget appropriation to be systematic and sustainable in the long term. If taxpayers were confident that the Organization's budgets were well planned and efficiently implemented, they would be more willing to support timely payment of contributions.

19. His delegation regretted that, as noted in the report of the Board of Auditors on United Nations peacekeeping operations for the 12-month period from 1 July 2006 to 30 June 2007 (A/62/5 (Vol. II)), it would appear that Member States had been overassessed for peacekeeping missions and that, in his report on associated costs related to the capital master plan (A/62/799), the Secretary-General had requested additional financing, even though the General Assembly had requested him to make every effort to absorb such costs within the approved budget of the capital master plan. He urged the Secretariat to redouble its efforts to prevent overassessment, by adopting measures to ensure more accurate planning, and to reduce the budgetary burden on Member States, by accommodating additional financing requirements within the capital master plan's approved budget, to the extent possible.

20. **Mr. Muhith** (Bangladesh) said that delegations had grown accustomed to receiving information illustrating the fragile financial health of the Organization. His delegation found little reason to be complacent, since the slight improvement reported was, once again, relative. The Organization's financial position was so fragile that it had no option but to rely heavily on the payment of unpaid assessments. As a Member State that had paid its assessed contributions on time and in full, Bangladesh was unhappy that the situation continued to be so erratic.

21. It was a matter of concern that unpaid assessed contributions to the regular budget had stood at $428 million at 31 December 2007, $67 million more than in 2006. Although the situation of the international criminal tribunals and the capital master plan had improved slightly since the previous year, it was not encouraging to see outstanding assessments of $34 million for the tribunals (as at 31 December 2007) and $150 million for the plan (as at 7 May 2008). While the peacekeeping budget arrears of $2.3 billion as at 7 May 2008 represented a reduction, the amount owed for troops and formed police units and contingent-owned equipment, which stood at $597 million as at 7 May 2008, was projected to reach $728 million by the end of 2008. There was a direct link between sufficient funding for peacekeeping operations and the Organization's ability to resolve conflicts and maintain peace and security around the world. Countries which, despite the many constraints facing them, contributed personnel and equipment should not be penalized for their commitment to the Organization's ideals.

22. His delegation continued to have reservations about the unhealthy practice of cross-borrowing, since it contributed to the delayed reimbursement of troop- and police-contributing countries. The Committee's consideration of closed peacekeeping operations and of the consolidation of peacekeeping accounts might remain inconclusive until the problem of unpaid contributions was addressed once and for all, in full compliance with Member States' obligations under the Charter of the United Nations.

23. **Mr. Spirin** (Russian Federation) said that his delegation was pleased to note that, in the year to 7 May 2008, more Member States had paid their assessed contributions, that arrears to the regular budget had fallen by $72 million and that arrears to the peacekeeping budget had fallen by $425 million. However, it was concerned that the bulk of the unpaid obligations continued to be owed by a small group of Member States and that a number of Member States still had not made any payments to finance the capital master plan. It welcomed the decrease in amounts owed to troop and equipment providers but noted that the problem of the Organization's continued indebtedness in that respect was far from being resolved. Naturally the Member States, who bore a growing financial burden, were entitled to expect that the Secretariat would carry out rational financial planning and make realistic estimates of the human and

material resources required to fulfil approved mandates. His delegation's position on how to improve the Organization's financial stability had not changed: Member States must pay their assessed contributions, in full, on time and without conditions.

24. **Mr. Alouan Kanafani** (Bolivarian Republic of Venezuela) said that, if the United Nations was likened to a Government, Member States' contributions could be likened to the taxes that citizens must pay to enable it to function properly and achieve its aims. Two obligations arose from Article 17, paragraph 2, of the Charter: Member States must agree on how to apportion the expenses of the Organization and must then meet their financial obligations in full, on time and without conditions.

25. The Secretariat was responsible for fulfilling the mandates given to it by Member States and must find mechanisms to guarantee the Organization's financial solidity. Many countries were unable to fulfil their obligations on time, either because of circumstances beyond their control or because they were developing countries with more pressing problems to address. Even so, many countries in such circumstances did manage to meet their payments.

26. However, some countries had enviable economic power but did not fulfil their obligations. Year after year, the major contributor had accounted for a very high percentage of the total amount owed to the Organization. That State's practice of delaying payments reflected not an inability to pay, but a desire to push through proposals that were in its interest. In concluding, he called on those States that had not yet done so to fulfil their obligations so that the Organization could function properly.

27. **Mr. Berti Oliva** (Cuba) said that, despite the improvement described by the Controller, the Organization's financial situation remained complicated. Heavy dependence on the receipt of contributions from a small group of countries caused uncertainty and unpredictability. All Member States must fulfil their financial obligations to the Organization. At the same time, account should be taken of the special situation of those States that, for reasons beyond their control, were unable to do so.

28. The data provided by the Controller showed that the Organization's major contributor continued to be its largest debtor. As at 7 May 2008, it had accounted for 68.3 per cent of the arrears in payments to the regular budget, an increase of almost 10 per cent compared to the same time the previous year. The situation was further exacerbated by the fact that payments received were also lower than they had been one year earlier. The situation with regard to the international criminal tribunals and peacekeeping operations was no more encouraging. Most worryingly of all, however, the host country of United Nations Headquarters — the country that stood to benefit most from the capital master plan — accounted for 90.7 per cent of the arrears in payments to that plan. That fact was yet another sign of the host country's lack of commitment to the Organization.

29. Cuba, on the other hand, was genuinely committed to multilateralism and to the Organization, as demonstrated by the fact that, despite the unfavourable economic situation and financial constraints caused by the strengthening of the 40-year-old United States embargo on the country, it had paid in full all its assessments. As Cuba was prevented from using the United States dollar for international transactions, including the payment of contributions to international organizations, it was constantly exposed to currency fluctuations and its capacity to pay suffered. Moreover, it was forced to pay United Nations assessments through a third country.

30. The Bush administration continued to show contempt for the United Nations, an Organization that it constantly undermined not only by failing to pay its contributions, but also by limiting the ability of other countries to pay theirs. By maintaining such an attitude, it also showed contempt for the Convention on the Privileges and Immunities of the United Nations, the United States Government's obligation not to hinder the operation of the Organization and the principle of non-discrimination and equality of States' rights. Year after year, the international community called on the United States to end its embargo against Cuba; that call must be heeded.

31. Despite the apparent improvement in the financial situation as compared to 2007, a group of developing-country troop contributors were not being reimbursed on time. That situation must be addressed and the countries concerned reimbursed for the services they provided. Without corrective measures, the situation would not change.

32. His delegation was disappointed at the late submission of the report of the Secretary-General on

improving the financial situation of the United Nations (A/62/539/Add.1), as it deserved to be debated thoroughly and properly reflected in a draft resolution. Cuba wished to reiterate its willingness to meet its financial obligations in full, on time and without conditions and its belief that compliance with the legal obligation to finance the Organization was one of the many ways in which Member States could demonstrate their political support for the United Nations.

The meeting rose at 10.55 a.m.